
State:	District of Columbia	Filing Company:	Endurance American Insurance Company
TOI/Sub-TOI:	09.0 Inland Marine/09.0005 Other Commercial Inland Marine		
Product Name:	Inland Marine Oil & Gas Program		
Project Name/Number:	Inland Marine Oil & Gas Program/EAIC-IMG-OG-2018		

Filing at a Glance

Company:	Endurance American Insurance Company
Product Name:	Inland Marine Oil & Gas Program
State:	District of Columbia
TOI:	09.0 Inland Marine
Sub-TOI:	09.0005 Other Commercial Inland Marine
Filing Type:	Form
Date Submitted:	05/02/2018
SERFF Tr Num:	REGU-131482567
SERFF Status:	Assigned
State Tr Num:	
State Status:	
Co Tr Num:	EAIC-IMG-OG-2018
Effective Date	05/15/2018
Requested (New):	
Effective Date	05/15/2018
Requested (Renewal):	
Author(s):	Joanne Sullivan, Fong Li
Reviewer(s):	Carmen Belen (primary)
Disposition Date:	
Disposition Status:	
Effective Date (New):	
Effective Date (Renewal):	

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General Information

Project Name: Inland Marine Oil & Gas Program Status of Filing in Domicile:
Project Number: EAIC-IMG-OG-2018 Domicile Status Comments:
Reference Organization: Reference Number:
Reference Title: Advisory Org. Circular:
Filing Status Changed: 05/02/2018
State Status Changed: Deemer Date:
Created By: Joanne Sullivan Submitted By: Joanne Sullivan
Corresponding Filing Tracking Number: REGU-131482568

Filing Description:

Endurance American Insurance Company (EAIC) is submitting new forms for its new Inland Marine Oil & Gas Program. This program is designed to provide contractor's equipment coverage for physical loss or damage to scheduled equipment in the care, custody or control of the insured that is utilized in the servicing of existing wells, drilling of new wells, and service operations of completed wells.

The corresponding rate and rule filing has been submitted separately, as required.

Attached for your review are the following items:

- 1.New Independent Inland Marine endorsements
- 2.Supporting Documentation including Explanatory Memorandum

Company and Contact

Filing Contact Information

Fong Li, fongli@ircllc.com
231 W 29th Street 212-571-3989 [Phone]
Suite # 707
New York, NY 10001

Filing Company Information

(This filing was made by a third party - insuranceregulatoryconsultantsllc)

Endurance American Insurance Company	CoCode: 10641	State of Domicile: Delaware
767 Third Avenue	Group Code: 3219	Company Type:
5th Floor	Group Name: Sompo International	State ID Number:
New York, NY 10017	FEIN Number: 03-0350908	
(212) 209-6538 ext. [Phone]		

Filing Fees

Fee Required? No
Retaliatory? No
Fee Explanation:

State:

District of Columbia

Filing Company:

Endurance American Insurance Company

TOI/Sub-TOI:

09.0 Inland Marine/09.0005 Other Commercial Inland Marine

Product Name:

Inland Marine Oil & Gas Program

Project Name/Number:

Inland Marine Oil & Gas Program/EAIC-IMG-OG-2018

Form Schedule

Item No.	Schedule Item Status	Form Name	Form Number	Edition Date	Form Type	Form Action	Action Specific Data	Readability Score	Attachments
1		SCHEDULE OF COVERAGES OIL AND GAS EQUIPMENT COVERAGE	EOG 0101 1217	1217	DEC	New		0.000	EOG 0101 1217 Schedule of Coverages - Oil and Gas Equipment.pdf
2		SCHEDULE OF COVERAGES WELL SERVICING, DRILLING, AND WORKOVER EQUIPMENT COVERAGE	EOG 0102 1217	1217	DEC	New		0.000	EOG 0102 1217 Schedule of Coverages - Well Servicing Drilling and Workover Equipment.pdf
3		EQUIPMENT SCHEDULE OIL AND GAS EQUIPMENT COVERAGE	EOG 0103 1217	1217	DEC	New		0.000	EOG 0103 1217 Equipment Schedule - Oil and Gas Equipment Coverage.pdf
4		OIL AND GAS EQUIPMENT COVERAGE FORM	EOG 0201 1217	1217	PCF	New		0.000	EOG 0201 1217 Oil and Gas Equipment Coverage Form.pdf
5		WELL SERVICING, DRILLING, AND WORKOVER EQUIPMENT COVERAGE FORM	EOG 0202 1217	1217	PCF	New		0.000	EOG 0202 1217 Well Servicing Drilling and Workover Equipment Coverage Form.pdf
6		TERRITORIAL LIMITATION ENDORSEMENT	EOG 0301 1217	1217	END	New		0.000	EOG 0301 1217 Territorial Limitation Endorsement.pdf

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Item No.	Schedule Item Status	Form Name	Form Number	Edition Date	Form Type	Form Action	Action Specific Data	Readability Score	Attachments
7		WELL SERVICING, DRILLING AND WORKOVER EQUIPMENT LEASED OR RENTED TO OTHERS SCHEDULE AND ENDORSEMENT	EOG 0302 1217	1217	END	New		0.000	EOG 0302 1217 Equipment Leased or Rented to Others Schedule and Endorsement.pdf
8		STACKED RIG ENDORSEMENT	EOG 0303 1217	1217	END	New		0.000	EOG 0303 1217 Stacked Rig Endorsement.pdf
9		WATERBORNE EQUIPMENT ENDORSEMENT	EOG 0304 1217	1217	END	New		0.000	EOG 0304 1217 Waterborne Equipment Endorsement.pdf

Form Type Legend:

ABE	Application/Binder/Enrollment	ADV	Advertising
BND	Bond	CER	Certificate
CNR	Canc/NonRen Notice	DEC	Declarations/Schedule
DSC	Disclosure/Notice	END	Endorsement/Amendment/Conditions
ERS	Election/Rejection/Supplemental Applications	OTH	Other

SCHEDULE OF COVERAGES OIL AND GAS EQUIPMENT COVERAGE

(The entries required to complete this endorsement will be shown below or on the
"schedule of coverages".)

PROPERTY COVERED (check one)

☐ Scheduled Equipment

Refer to Equipment Schedule

☐ Schedule On File

OIL AND GAS EQUIPMENT

"Limits"

Location Limit -- The most "we" pay for loss of oil
and gas equipment at any one "lease property" is:

\$ _____

Transit Limit -- The most "we" pay for loss of oil
and gas equipment while in transit is:

\$ _____

Catastrophe Limit:

\$ _____

OPTIONAL COVERAGES (check if applicable)

☐ Earthquake Coverage

Earthquake Limit

\$ _____

☐ Earthquake Coverage Not Provided

☐ Flood Coverage

Flood Limit

\$ _____

☐ Flood Coverage Not Provided

COVERAGE EXTENSION

Additional Debris Removal Expenses

\$ _____

SUPPLEMENTAL COVERAGES

Employees' Tools

\$ _____

Fire Extinguishing Materials

_____ % or \$ _____

Partial Loss, Waiver Of Depreciation

Coverage Provided

Pollutant Cleanup and Removal \$ _____

VALUATION (check one)

☐ Actual Cash Value ☐ Replacement Cost

DEDUCTIBLE

Deductible Amount \$ _____

Other Optional Deductibles (check if Applicable)

☐ Flood Deductible \$ _____

☐ Earthquake Deductible \$ _____

☐ Employees' Tools Deductible \$ _____

COINSURANCE (check one)

☐ Not Applicable ☐ 80% ☐ 90% ☐ 100% ☐ Other _____%

OPTIONAL COVERAGES AND ENDORSEMENTS

<<electronic signature>>

Authorized Representative

This endorsement does not change any other provision of the Policy. The title and any headings in this endorsement are solely for convenience and do not affect its meaning.

SCHEDULE OF COVERAGES
WELL SERVICING, DRILLING, AND WORKOVER EQUIPMENT COVERAGE

(The entries required to complete this endorsement will be shown below or on the
"schedule of coverages".)

PROPERTY COVERED (check one)

☐ Scheduled Equipment

Refer to Equipment Schedule

☐ Schedule On File

"Limits"

CATASTROPHE LIMIT:

\$ _____

OPTIONAL COVERAGES (check if applicable)

☐ Earthquake Coverage

Earthquake Limit

\$ _____

☐ Earthquake Coverage Not Provided

☐ Flood Coverage

Flood Limit

\$ _____

☐ Flood Coverage Not Provided

COVERAGE EXTENSION

Debris Removal Expenses

\$ _____

SUPPLEMENTAL COVERAGES

Additional Purchased Equipment

\$ _____

Employee Tools

\$ _____

Equipment Leased or Rented From Others

\$ _____

Pollutant Cleanup and Removal

\$ _____

Rental Reimbursement

Reimbursement Limit

\$ _____

Waiting Period

_____ Hours

Spare Parts and Fuel \$ _____

REPORTING CONDITIONS (check if applicable)

☐ **Equipment Leased or Rented From Others**

Reporting Rate \$ _____

Deposit Premium \$ _____

Minimum Premium \$ _____

COINSURANCE (check one)

☐ 80% ☐ 90% ☐ 100% ☐ Other _____%

VALUATION (check one)

☐ Actual Cash Value ☐ Replacement Cost

DEDUCTIBLE

☐ Flat Deductible Amount \$ _____

☐ Percentage Deductible _____ %

Maximum Deductible Amount \$ _____

Minimum Deductible Amount \$ _____

OTHER OPTIONAL DEDUCTIBLES (check if applicable)

☐ Flood Deductible \$ _____

☐ Earthquake Deductible \$ _____

OPTIONAL COVERAGES AND ENDORSEMENTS

<<electronic signature>>

Authorized Representative

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EQUIPMENT SCHEDULE OIL AND GAS EQUIPMENT COVERAGE

(The entries required to complete this endorsement will be shown below or on the
"schedule of coverages".)

EQUIPMENT SCHEDULE

Item No.	Description of Equipment	"Limit"
_____	_____	_____

_____	_____	_____

_____	_____	_____

<<electronic signature>>

Authorized Representative

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OIL AND GAS EQUIPMENT COVERAGE FORM

In this coverage form, the words "you" and "your" mean the persons or organizations named as the insured on the declarations and the words "we", "us", and "our" mean the company providing this coverage.

Refer to the Definitions section at the end of this coverage form for additional words and phrases that have special meaning. These words and phrases are shown in quotation marks.

AGREEMENT

In return for "your" payment of the required premium, "we" provide the coverage described herein subject to all the "terms" of the Oil And Gas Equipment Coverage. This coverage is also subject to the "schedule of coverages" and additional policy conditions relating to assignment or transfer of rights or duties, cancellation, changes or modifications, inspections, and examination of books and records.

Endorsements and schedules may also apply. They are identified on the "schedule of coverages".

PROPERTY COVERED

"We" cover the following property unless the property is excluded or subject to limitations.

1. **Coverage** -- "We" cover direct physical loss or damage caused by a covered peril to "your" oil and gas equipment and similar property of others in "your" care, custody, and control.

2. **Coverage Limitation** -- "We" only cover "your" equipment and equipment of others while:

- a. on "lease properties"; and
- b. in due course of transit to and from "lease properties".

3. **Covered Equipment**

- a. **Scheduled Equipment** -- When Scheduled Equipment is indicated on the "schedule of coverages", "we" only cover "your" equipment and equipment of others that are described on the "equipment schedule".
- b. **Schedule On File** -- When Schedule On File is indicated on the "schedule of coverages", "we" only cover "your" equipment and equipment of others that are listed in a schedule which "you" must submit to "us" and "we" keep on file, and the schedule must contain a description of each item to be covered and a "limit" for each item.

PROPERTY NOT COVERED

1. **Aircraft Or Watercraft** -- "We" do not cover aircraft or watercraft.
2. **Buildings And Land** -- "We" do not cover buildings, or foundations; including land on which covered property is located, except temporary sheds, engine houses, or belt houses.

3. **Contraband** -- "We" do not cover contraband. "We" do not cover property in the course of illegal transportation or trade.
4. **Large Oil Tanks** -- "We" do not cover oil tanks, including any contents within the tanks, with a capacity of 10,000 barrels or greater.
5. **Pits And Reservoirs** -- "We" do not cover:
 - a. earthen or concrete flow; or
 - b. storage pits or reservoirs including their contents.
6. **Plants, Refineries, And Fuel** -- "We" do not cover gasoline or gas recycling plants, oil or gas refineries, and gas or oil except in tanks.
7. **Property Leased, Loaned, Or Rented** -- "We" do not cover property while leased, loaned, or rented to others, or while in the possession of others under an agreement of sale.
8. **Rigs, Derricks, Or Masts** -- "We" do not cover rigs, derricks, or masts.
9. **Rolling Stock** -- "We" do not cover railways, or railroad rolling stock.
10. **Salvage And Rework** -- "We" do not cover property used to control, salvage, or rework a gas or oil well that is in distress following:
 - a. a fire, "blowout", or "cratering"; or
 - b. to drill a relief hole, or gas or oil well

for the purpose of attempting the control of a fire, "blowout", or "cratering".

11. **Supports** -- "We" do not cover "pull rods and supports" from powerhouse to gas or oil wells; derricks, rigs, or masts.

12. **Underground Piping** -- "We" do not cover:
 - a. underground piping, including any contents in the piping, fittings, conduits, drains, flues; and
 - b. all other property situated below the surface of the ground.

However, "we" do cover direct physical loss or damage to underground piping and property situated below the surface of the ground caused by fire, lightning, windstorm, "flood", vandalism, malicious mischief, strikes, riots or civil commotions, explosion above the surface of the ground, "blowout", or "cratering".

13. **Vehicles** -- "We" do not cover automobiles or any self-propelled vehicles that are designed for highway use.

14. **Waterborne Property** -- "We" do not cover property while waterborne except while in transit in the custody of a carrier for hire.

OPTIONAL COVERAGES

1. **Earthquake Coverage** --
 - a. **Coverage** -- If Earthquake Coverage is indicated on the "schedule of coverages", "we" cover direct physical loss or damage to covered property caused by or resulting from earthquake and volcanic eruption.
 - b. **Earthquake Limit** -- The most "we" pay in any one occurrence for loss or damage caused by or resulting from earthquake and volcanic eruption is the

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Earthquake Limit indicated on the "schedule of coverages".

The Earthquake Limit is the only "limit" available for loss or damage caused by or resulting from earthquake and volcanic eruption. The Earthquake Limit cannot be combined or added to the "limit" for any Coverage Extension or Supplemental Coverage.

- c. **Separate Deductible** -- Only as regards Earthquake Coverage, "we" pay only that part of "your" loss over the Earthquake Deductible amount indicated on the "schedule of coverages" in any one occurrence.

2. Flood Coverage --

- a. **Coverage** -- If Flood Coverage is indicated on the "schedule of coverages", "we" cover direct physical loss or damage to covered property caused by or resulting from "flood".
- b. **Flood Limit** -- The most "we" pay in any one occurrence for loss or damage caused by or resulting from "flood" is the Flood Limit indicated on the "schedule of coverages".

The Flood Limit is the only "limit" available for loss or damage caused by or resulting from "flood". The Flood Limit cannot be combined or added to the "limit" for any Coverage Extension or Supplemental Coverage.

- c. **Separate Deductible** -- Only as regards Flood Coverage, "we" pay only that part of "your" loss over the Flood Deductible amount indicated on the "schedule of coverages" in any one occurrence.

COVERAGE EXTENSION

Provisions That Apply To Coverage

Extensions -- The following Coverage Extension indicates an applicable "limit". This "limit" may also be shown on the "schedule of coverages".

If a different "limit" is indicated on the "schedule of coverages", that "limit" will apply instead of the "limit" shown below.

However, if no "limit" is indicated for a Coverage Extension within this coverage form, coverage is provided up to the full "limit" for the applicable covered property unless a different "limit" is indicated on the "schedule of coverages".

Unless otherwise indicated, the coverages provided below are part of and not in addition to the applicable "limit" for coverage described under Property Covered.

The "limit" provided under a Coverage Extension cannot be combined or added to the "limit" for any other Coverage Extension or Supplemental Coverage, including a Coverage Extension, Supplemental Coverage, or other coverage that is added to this policy by endorsement.

If coinsurance provisions are part of this policy, the following coverage extension is not subject to and not considered in applying coinsurance conditions.

Debris Removal --

- 1. **Coverage** -- "We" pay the cost of "debris removal".
- 2. **We Do Not Cover** -- This coverage does not include costs to:
 - a. extract "pollutants" from land or water; or

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- b. remove, restore, or replace polluted land or water.
- 3. **Limit** -- "We" do not pay any more under this coverage than 25% of the amount "we" pay for the direct physical loss or damage exclusive of the costs for "debris removal". "We" will not pay more for loss to property and debris removal combined than the "limit" for the damaged property.
- 4. **Additional Limit** -- "We" pay up to an additional \$100,000 for debris removal expense when the "debris removal" expense exceeds 25% of the amount "we" pay for direct physical loss or when the loss to property and "debris removal" combined exceeds the "limit" for the damaged property.
- 5. **You Must Report Your Expenses** -- "We" do not pay any expenses unless they are reported to "us" in writing within 180 days from the date of direct physical loss to covered property.

SUPPLEMENTAL COVERAGES

Provisions That Apply To Supplemental Coverages -- The following Supplemental Coverages indicate an applicable "limit". This "limit" may also be shown on the "schedule of coverages".

If a different "limit" is indicated on the "schedule of coverages", that "limit" will apply instead of the "limit" shown below.

However, if no "limit" is indicated for a Supplemental Coverage within this coverage form, coverage is provided up to the full "limit" for the applicable covered property unless a different "limit" is indicated on the "schedule of coverages".

Unless otherwise indicated, a "limit" for a Supplemental Coverage provided below is separate from, and not part of, the applicable "limit" for coverage described under Property Covered.

The "limit" available for coverage described under a Supplemental Coverage:

- a. is the only "limit" available for the described coverage; and
- b. is not the sum of the "limit" indicated for a Supplemental Coverage and the "limit" for coverage described under Property Covered.

The "limit" provided under a Supplemental Coverage cannot be combined or added to the "limit" for any other Supplemental Coverage or Coverage Extension, including a Supplemental Coverage, Coverage Extension, or other coverage that is added to this policy by endorsement.

If coinsurance provisions are part of this policy, the following Supplemental Coverages are not subject to and not considered in applying coinsurance conditions.

1. **Employees' Tools** --

- a. **Coverage** -- "We" cover direct physical loss or damage to tools and work clothing of "your" employees while
 - 1) on "lease properties"; and
 - 2) in due course of transit to and from "lease properties" on or in "your" vehicles.
- b. **Coverage Limitation** -- The most "we" pay for any one employee for loss to tools and work clothing is \$500. The most "we" pay in any one occurrence

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for loss to all employee tools and work clothing and all employees is \$5,000.

- c. **Separate Deductible** -- Only as regards coverage for Employees' Tools, "we" pay only that part of "your" loss over the Employees' Tools Deductible amount indicated on the "schedule of coverages" in any one occurrence.

2. **Fire Extinguishing Materials** --

- a. **Coverage** -- "We" cover foam solution or other fire extinguishing materials you own or for which you are liable that are lost, expended, or destroyed in fighting a fire involving covered property.
- b. **Coverage Limitation** -- The most "we" pay in any one occurrence for this supplemental coverage is the lesser of:

- 1) 10% of the total "limit" for all covered property; or
- 2) \$100,000.

- 3. **Partial Loss, Waiver Of Depreciation** -- No deduction for depreciation will be taken on the adjustment of any partial loss that does not exceed twenty percent (20%) of the actual cash value of the item involved. If two or more items are involved in the same occurrence, this condition will apply to each item separately.

4. **Pollutant Cleanup And Removal** --

- a. **Coverage** -- "We" pay "your" expense to extract "pollutants" from land or water if the discharge, dispersal, seepage, migration, release, or escape of the "pollutants" is caused by a covered peril that occurs during the policy period.

- b. **Time Limitation** -- The expenses to extract "pollutants" are paid only if they are reported to "us" in writing within 180 days from the date the covered peril occurs.

- c. **We Do Not Cover** -- "We" do not pay the cost of testing, evaluating, observing, or recording the existence, level, or effects of "pollutants".

However, "we" pay the cost of testing which is necessary for the extraction of "pollutants" from land or water.

- d. **Limit** -- The most "we" pay for each location is \$10,000 for the sum of all such expenses arising out of a covered peril occurring during each separate 12-month period of this policy.

PERILS COVERED

"We" cover risks of direct physical loss unless the loss is limited or caused by a peril that is excluded.

PERILS EXCLUDED

- 1. "We" do not pay for loss or damage caused directly or indirectly by one or more of the following excluded causes or events. Such loss or damage is excluded regardless of other causes or events that contribute to or aggravate the loss, whether such causes or events act to produce the loss before, at the same time as, or after the excluded causes or events.

- a. **Civil Authority** -- Order of any civil authority, including seizure, confiscation, destruction, or quarantine of property.

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"We" do cover loss resulting from acts of destruction by the civil authority to prevent the spread of fire, unless the fire is caused by a peril excluded under this coverage.

- b. **Earth Movement** -- Any "earth movement", except as may be provided under Optional Coverages, Earthquake Coverage. However, if eruption, explosion, or effusion of a volcano results in "volcanic action", "we" will pay for the loss or damage caused by that "volcanic action".

If "earth movement" results in fire, "we" will pay for the loss or damage caused by that fire. If "earth movement" (other than eruption, explosion, or effusion of a volcano) results in explosion, "we" will pay for the loss or damage caused by that explosion.

This exclusion does not apply to covered property while in transit.

- c. **Flood** -- "Flood", except as may be provided under Optional Coverages, Flood Coverage.

"We" also do not cover waterborne material carried or otherwise moved by "flood", whether or not driven by wind, including storm surge, or material carried or otherwise moved by mudslide or mudflow.

However, if "flood" results in fire, explosion, or sprinkler leakage, "we" will pay for the loss or damage caused by that fire, explosion, or sprinkler leakage.

This exclusion does not apply to covered property while in transit.

- d. **Nuclear Hazard** -- Nuclear reaction, nuclear radiation, or radioactive contamination (whether controlled or uncontrolled; whether caused by natural, accidental, or artificial means). Loss caused by nuclear hazard is not considered loss caused by fire, explosion, or smoke. Direct loss by fire resulting from the nuclear hazard is covered.

- e. **Ordinance Or Law** -- Enforcement of any code, ordinance, or law regulating the use, construction, or repair of any property; or requiring the demolition of any property including the cost of removing its debris.

"We" do not pay for loss or increased cost regardless if the loss or increased cost is caused by or results from the:

- 1) enforcement of any code, ordinance, or law even if the property has not been damaged; or
- 2) increased costs that "you" incur because of "your" compliance with a code, ordinance, or law during the construction, repair, rehabilitation, remodeling, or razing of the property, including the removal of debris, following direct physical loss or damage to the property.

- f. **War And Military Action** --

- 1) War, including undeclared war or civil war; or
- 2) a warlike action by a military force, including action taken to prevent or defend against an actual or expected attack, by any government, sovereign, or other authority using military personnel or other agents; or

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- 3) insurrection, rebellion, revolution, or unlawful seizure of power including action taken by governmental authority to prevent or defend against any of these.

With regard to any action that comes within the "terms" of this exclusion and involves nuclear reaction, nuclear radiation, or radioactive contamination, this War And Military Action exclusion will apply in place of the Nuclear Hazard exclusion.

2. "We" do not pay for loss or damage that is caused by or results from one or more of the following:

- a. **Contamination Or Deterioration** -- "We" do not pay for loss or damage caused by contamination or deterioration including corrosion; decay; fungus; mildew; mold; rot; rust; or any quality, fault, or weakness in the covered property that causes it to damage or destroy itself.
- b. **Criminal, Fraudulent, Dishonest, Or Illegal Acts** -- "We" do not pay for loss or damage caused by or resulting from criminal, fraudulent, dishonest, or illegal acts committed alone or in collusion with another by:
 - 1) "you";
 - 2) others who have an interest in the property;
 - 3) others to whom "you" entrust the property;
 - 4) "your" partners, officers, directors, trustees, joint venturers, or "your" members or managers if "you" are a limited liability company; or
 - 5) the employees or agents of 1), 2), 3), or 4) above, whether or not they are at work.

This exclusion does not apply to acts of destruction by "your" employees, but "we" do not pay for theft by employees.

This exclusion does not apply to covered property in the custody of a carrier for hire.

- c. **Defective Workmanship** -- "We" do not pay for loss or damage caused by or resulting from any faulty or defective workmanship, material, design, or actual work on property.

"We" will pay for physical damage to other covered property resulting from such faulty or defective workmanship, materials, design, or actual work on the property if discovered as a result of, or aggravated by, a peril or occurrence not otherwise excluded in this policy.

- d. **Electrical Currents** -- "We" do not pay for loss or damage caused by arcing or by electrical currents other than lightning.

But if arcing or electrical currents other than lightning result in a "specified peril", "we" do cover the loss or damage caused by that "specified peril".

- e. **Explosion, Rupture, Or Bursting** -- "We" do not pay for loss or damage caused by explosion, rupture, or bursting of steam boilers, steam or gas turbines, steam pipes, or steam engines. This exclusion applies only to loss or damage to the steam boilers, steam or gas turbines, steam pipes, or steam engines in which the loss occurred.
- f. **Faulty, Inadequate, Or Defective Development Or Maintenance** -- "We"

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do not pay for loss or damage caused by faulty, inadequate, or defective:

- 1) development including planning, zoning, surveying, or siting; or
- 2) maintenance;

of part or all of the property.

- g. **Loss Of Use** -- "We" do not pay for loss or damage caused by or resulting from loss of use, delay, or loss of market.
- h. **Mechanical Breakdown** -- "We" do not pay for loss or damage caused by any mechanical, structural, or electrical breakdown or malfunction including a breakdown or malfunction resulting from a structural, mechanical, or reconditioning process.

But if mechanical, structural, or electrical breakdown or malfunction result in a fire, "we" do cover the loss or damage caused by that fire.

- i. **Missing Property** -- "We" do not pay for missing property where the only proof of loss is unexplained or mysterious disappearance of covered property, or shortage of property discovered on taking inventory, or any other instance where there is no physical evidence to show what happened to the covered property.

This exclusion does not apply to covered property in the custody of a carrier for hire.

- j. **Negligence** -- "We" do not pay for loss or damage caused by or resulting from "your" neglect to use reasonable means to protect the covered property from:

- 1) additional loss or damage after loss or damage occurs; or

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- 2) loss or damage when property is endangered by fire or "blowout" at an adjacent oil or gas well site.

- k. **Pollutants** -- "We" do not pay for loss or damage caused by or resulting from release, discharge, seepage, migration, dispersal, or escape of "pollutants":

- 1) unless the release, discharge, seepage, migration, dispersal, or escape is caused by a "specified peril"; or
- 2) except as specifically provided under the Supplemental Coverages - Pollutant Cleanup And Removal.

"We" do cover any resulting loss caused by a "specified peril".

- l. **Subsequent Loss** -- "We" do not pay for subsequent loss or damage caused by use of damaged property prior to effecting proper repair.
- m. **Voluntary Parting** -- "We" do not pay for loss caused by or resulting from voluntary parting with title to or possession of any property because of any fraudulent scheme, trick, or false pretense.
- n. **Wear And Tear** -- "We" do not pay for loss or damage caused by wear and tear, marring, or scratching.

WHAT MUST BE DONE IN CASE OF LOSS

1. **Notice** -- In case of a loss, "you" must:
 - a. give "us" or "our" agent prompt notice including a description of the property involved ("we" may request written notice); and

- b. give notice to the police when the act that causes the loss is a crime.
2. **You Must Protect Property** -- "You" must take all reasonable steps to protect covered property at and after an insured loss to avoid further loss.
- a. **Payment Of Reasonable Costs** -- "We" do pay the reasonable costs incurred by "you" for necessary repairs or emergency measures performed solely to protect covered property from further damage by a peril insured against if a peril insured against has already caused a loss to covered property. "You" must keep an accurate record of such costs. "Our" payment of reasonable costs does not increase the "limit".
 - b. **We Do Not Pay** -- "We" do not pay for such repairs or emergency measures performed on property which has not been damaged by a peril insured against.
3. **Proof Of Loss** -- "You" must send "us", within 60 days after "our" request, a signed, sworn proof of loss. This must include the following information:
- a. the time, place, and circumstances of the loss;
 - b. other policies of insurance that may cover the loss;
 - c. "your" interest and the interests of all others in the property involved, including all mortgages and liens;
 - d. changes in title of the covered property during the policy period; and
 - e. estimates, specifications, inventories, and other reasonable information that "we" may require to settle the loss.
4. **Examination** -- "You" must submit to examination under oath in matters connected with the loss as often as "we" reasonably request and give "us" sworn statements of the answers. If more than one person is examined, "we" have the right to examine and receive statements separately and not in the presence of others.
5. **Records** -- "You" must produce records, including tax returns and bank microfilms of all canceled checks relating to value, loss, and expense and permit copies and extracts to be made of them as often as "we" reasonably request.
6. **Damaged Property** -- "You" must exhibit the damaged and undamaged property as often as "we" reasonably request and allow "us" to inspect or take samples of the property.
7. **Volunteer Payments** -- "You" must not, except at "your" own expense, voluntarily make any payments, assume any obligations, pay or offer any rewards, or incur any other expenses except as respects protecting property from further damage.
8. **Abandonment** -- "You" may not abandon the property to "us" without "our" written consent.
9. **Cooperation** -- "You" must cooperate with "us" in performing all acts required by this policy.

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VALUATION

1. **Crude Petroleum** -- The value of crude petroleum is based on the "posted market price" on the date of the loss, plus the incurred gathering and transportation charges.

However, the value of crude petroleum will not exceed the replacement cost of crude petroleum with like kind and quality at the place and date of loss.

2. **All Other Property** -- The following provisions apply to all covered property except crude petroleum:
 - a. **Actual Cash Value** -- Unless Replacement Cost is indicated on the "schedule of coverages", the value of covered property is based on the actual cash value at the time of loss (with a deduction for depreciation).
 - b. **Replacement Cost** -- Unless Actual Cash Value is indicated on the "schedule of coverages", the value of covered property will be based on the replacement cost without any deduction for depreciation.
 - 1) **Replacement Cost Limitation** -- The replacement cost is limited to the cost of repair or replacement with similar materials and used for the same purpose. The payment will not exceed the amount "you" spend to repair or replace the damaged or destroyed property.

- 2) **Replacement Cost Does Not Apply Until Repair Or Replacement** -- Replacement cost valuation does not apply until the damaged or destroyed property is repaired or replaced.

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- 3) **Time Limitation** -- "You" may make a claim for actual cash value before repair or replacement takes place, and later for the replacement cost if "you" notify "us" of "your" intent within 180 days after the loss.

- c. **Pair Or Set** -- The value of a lost or damaged article which is part of a pair or set is based on a reasonable proportion of the value of the entire pair or set. The loss is not considered a total loss of the pair or set.
- d. **Loss To Parts** -- The value of a lost or damaged part of an item that consists of several parts when it is complete is based on the value of only the lost or damaged part or the cost to repair or replace it.

HOW MUCH WE PAY

1. **Insurable Interest** -- "We" do not cover more than "your" insurable interest in any property.
2. **Deductible** -- "We" pay only that part of "your" loss over the deductible amount indicated on the "schedule of coverages" in any one occurrence.
3. **Loss Settlement Terms** -- Subject to paragraphs 1., 2., 4., 5., 6., and 7. under How Much We Pay, "we" pay the lesser of:
 - a. the amount determined under Valuation;
 - b. the cost to repair, replace, or rebuild the property with material of like kind and quality to the extent practicable; or
 - c. the "limit" that applies to the covered

property.

4. **Catastrophe Limit** -- The most "we" pay in any one occurrence is the Catastrophe Limit indicated on the "schedule of coverages" regardless if an occurrence or loss involves:

- a. one or more pieces of oil and gas equipment;
- b. one or more "lease properties"; or
- c. any combination of oil and gas equipment, "lease properties", or coverages described under Coverage Extension or Supplemental Coverages.

5. **Coinsurance** --

- a. **When Coinsurance Applies** -- "We" only pay a part of the loss if the "limit" is less than the percentage of the value of the covered property that is indicated on the "schedule of coverages".
- b. **How We Determine Our Part Of The Loss** -- "Our" part of the loss is determined using the following steps:
 - 1) multiply the percent indicated on the "schedule of coverages" by the value of the covered property at the time of loss;
 - 2) divide the "limit" for covered property by the result determined in b.1) above;
 - 3) multiply the total amount of loss, after the application of any deductible, by the result determined in b.2) above.

The most "we" pay is the amount determined in b.3) above or the "limit", whichever is less. "We" do not pay any remaining part of the loss.

- c. **If There Is More Than One Limit** -- If there is more than one "limit" indicated on the "schedule of coverages" for this coverage part, this procedure applies separately to each "limit".

- d. **If There Is Only One Limit** -- If there is only one "limit" indicated on the "schedule of coverages" for this coverage, this procedure applies to the total of all covered property to which the "limit" applies.

- e. **When Coinsurance Does Not Apply** -- Conditions for coinsurance do not apply unless a coinsurance percentage is indicated on the "schedule of coverages".

6. **Insurance Under More Than One Coverage** -- If more than one coverage of this policy insures the same loss, "we" pay no more than the actual claim, loss, or damage sustained.

7. **Insurance Under More Than One Policy** --

- a. **Proportional Share** -- "You" may have another policy subject to the same "terms" as this policy. If "you" do, "we" will pay "our" share of the covered loss. "Our" share is the proportion that the applicable "limit" under this policy bears to the "limit" of all policies covering on the same basis.

- b. **Excess Amount** -- If there is another policy covering the same loss, other than that described above, "we" pay only for the amount of covered loss in excess of the amount due from that other policy, whether "you" can collect on it or not. But "we" do not pay more than the applicable "limit".

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LOSS PAYMENT

1. Loss Payment Options --

- a. **Our Options** -- In the event of loss covered by this coverage form, "we" have the following options:
 - 1) pay the value of the lost or damaged property;
 - 2) pay the cost of repairing or replacing the lost or damaged property;
 - 3) rebuild, repair, or replace the property with other property of equivalent kind and quality, to the extent practicable, within a reasonable time; or
 - 4) take all or any part of the property at the agreed or appraised value.
- b. **Notice Of Our Intent To Rebuild, Repair, Or Replace** -- "We" must give "you" notice of "our" intent to rebuild, repair, or replace within 30 days after receipt of a duly executed proof of loss.

2. Your Losses --

- a. **Adjustment And Payment Of Loss** -- "We" adjust all losses with "you". Payment will be made to "you" unless another loss payee is named in the policy.
- b. **Conditions For Payment Of Loss** -- An insured loss will be payable 30 days after:
 - 1) a satisfactory proof of loss is received; and
 - 2) the amount of the loss has been established either by written

agreement with "you" or the filing of an appraisal award with "us".

3. Property Of Others --

- a. **Adjustment And Payment Of Loss To Property Of Others** -- Losses to property of others may be adjusted with and paid to:
 - 1) "you" on behalf of the owner; or
 - 2) the owner.
- b. **We Do Not Have To Pay You If We Pay The Owner** -- If "we" pay the owner, "we" do not have to pay "you". "We" may also choose to defend any suits brought by the owners at "our" expense.

OTHER CONDITIONS

- 1. **Appraisal** -- If "you" and "we" do not agree on the amount of the loss or the value of covered property, either party may demand that these amounts be determined by appraisal.

If either makes a written demand for appraisal, each will select a competent, independent appraiser and notify the other of the appraiser's identity within 20 days of receipt of the written demand. The two appraisers will then select a competent, impartial umpire. If the two appraisers are unable to agree upon an umpire within 15 days, "you" or "we" can ask a judge of a court of record in the state where the property is located to select an umpire.

The appraisers will then determine and state separately the amount of each loss.

The appraisers will also determine the value

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of covered property items at the time of the loss, if requested.

If the appraisers submit a written report of any agreement to "us", the amount agreed upon will be the amount of the loss. If the appraisers fail to agree within a reasonable time, they will submit only their differences to the umpire. Written agreement so itemized and signed by any two of these three, sets the amount of the loss.

Each appraiser will be paid by the party selecting that appraiser. Other expenses of the appraisal and the compensation of the umpire will be paid equally by "you" and "us".

2. **Benefit To Others** -- Insurance under this coverage will not directly or indirectly benefit anyone having custody of "your" property.
3. **Conformity With Statute** -- When a condition of this coverage is in conflict with an applicable law, that condition is amended to conform to that law.
4. **Estates** -- This provision applies only if the insured is an individual.
 - a. **Your Death** -- On "your" death, "we" cover the following as an insured:
 - 1) the person who has custody of "your" property until a legal representative is qualified and appointed; or
 - 2) "your" legal representative.

This person or organization is an insured only with respect to property covered by this coverage.
 - b. **Policy Period Is Not Extended** -- This

coverage does not extend past the policy period indicated on the declarations.

5. **Misrepresentation, Concealment, Or Fraud** -- This coverage is void as to "you" and any other insured if, before or after a loss:
 - a. "you" or any other insured have willfully concealed or misrepresented:
 - 1) a material fact or circumstance that relates to this insurance or the subject thereof; or
 - 2) "your" interest herein; or
 - b. there has been fraud or false swearing by "you" or any other insured with regard to a matter that relates to this insurance or the subject thereof.
6. **Policy Period** -- "We" pay for a covered loss that occurs during the policy period.
7. **Recoveries** -- If "we" pay "you" for the loss and lost or damaged property is recovered, or payment is made by those responsible for the loss, the following provisions apply:
 - a. "you" must notify "us" promptly if "you" recover property or receive payment;
 - b. "we" must notify "you" promptly if "we" recover property or receive payment;
 - c. any recovery expenses incurred by either are reimbursed first;
 - d. "you" may keep the recovered property but "you" must refund to "us" the amount of the claim paid, or any lesser amount to which "we" agree; and

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- e. if the claim paid is less than the agreed loss due to a deductible or other limiting "terms" of this policy, any recovery will be prorated between "you" and "us" based on "our" respective interest in the loss.

8. **Subrogation** -- If "we" pay for a loss, "we" may require "you" to assign to "us" "your" right of recovery against others. "You" must do all that is necessary to secure "our" rights. "We" do not pay for a loss if "you" impair this right to recover.

"You" may waive "your" right to recover from others in writing before a loss occurs.

9. **Suit Against Us** -- No one may bring a legal action against "us" under this coverage unless:

- a. all of the "terms" of this coverage have been complied with; and
- b. the suit has been brought within two years after "you" first have knowledge of the loss.

If any applicable law makes this limitation invalid, then suit must begin within the shortest period permitted by law.

10. **Territorial Limits** -- "We" cover property while it is in the United States of America, its territories and possessions, Canada, and Puerto Rico.

DEFINITIONS

1. "Blowout" means the sudden, accidental, uncontrolled, and continuous expulsion from a well of oil, gas, water or drilling

fluids resulting in complete loss or control of the oil or gas well.

- 2. "Cratering" means the basin shaped opening in the earth's surface surrounding a well caused by the erosive and eruptive action of gas, oil, or water flowing uncontrolled.
- 3. "Debris removal" means the costs for the demolition, clearing, and removal of debris of covered property if such debris results from a covered peril.
- 4. "Earth movement" means any movement or vibration of the earth's surface (other than "sinkhole collapse") including but not limited to earthquake; landslide; mudflow; mudslide; mine subsidence; or sinking, rising, or shifting of earth.
- 5. "Equipment schedule" means a schedule of covered equipment that is attached to this policy and that describes each piece of covered equipment.
- 6. "Flood" means flood, surface water, waves, tidal water, or the overflow of a body of water, all whether driven by wind or not. This includes spray that results from these whether driven by wind or not.
- 7. "Lease properties" means land from which "you" have the legal right to remove oil or gas.
- 8. "Limit" means the amount of coverage that applies.
- 9. "Oil and gas equipment" means:
 - a. tanks, crude petroleum in tanks; and
 - b. pumps, machinery, pipes, and other equipment that are usual to the

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operation of a productive oil or gas well.

10. "Pollutant" means:

- a. any solid, liquid, gaseous, thermal, or radioactive irritant or contaminant, including acids, alkalis, chemicals, fumes, smoke, soot, vapor, and waste. Waste includes materials to be recycled, reclaimed, or reconditioned, as well as disposed of; and
- b. electrical or magnetic emissions, whether visible or invisible, and sound emissions.

11. "Posted market price" means the average of the two highest and most current published prices for the type and grade of the crude oil involved in any loss, as set forth in the bulletins of the Oil Companies for the geographic area involved in the loss.

12. "Pull rods and supports" means the rods and their supports which raise and lower the string inside the tubing which in turn actuates the bottom hole pump. The bottom hole pump is the pump set at the bottom of the hole or in the producing zone actuated by rods attached to the pumping unit at ground level for pumping fluid to the surface and tanks.

13. "Schedule of coverages" means:

- a. all pages labeled "schedule of coverages" or schedules that pertain to this coverage; and
- b. declarations or supplemental declarations that pertain to this coverage.

14. "Sinkhole collapse" means the sudden settlement or collapse of earth supporting the covered property into subterranean voids created by the action of water on a limestone or similar rock formation. It does not include the value of the land or the cost of filling sinkholes.

15. "Specified perils" means aircraft; civil commotion; explosion; falling objects; fire; hail; leakage from fire extinguishing equipment; lightning; riot; "sinkhole collapse"; smoke; sonic boom; vandalism; vehicles; "volcanic action"; water damage; weight of ice, snow, or sleet; and windstorm.

Falling objects does not include loss to:

- a. personal property in the open; or
- b. the interior of buildings or structures or to personal property inside buildings or structures unless the exterior of the roofs or walls are first damaged by a falling object.

Water damage means the sudden or accidental discharge or leakage of water or steam as a direct result of breaking or cracking of a part of the system or appliance containing the water or steam.

16. "Terms" means all provisions, limitations, exclusions, conditions, and definitions that apply.

17. "Volcanic action" means airborne volcanic blast or airborne shock waves; ash, dust, or particulate matter; or lava flow.

"Volcanic action" does not include the cost to remove ash, dust, or particulate matter that does not cause direct physical loss to the covered property.

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WELL SERVICING, DRILLING, AND WORKOVER EQUIPMENT COVERAGE FORM

In this coverage form, the words "you" and "your" mean the persons or organizations named as the insured on the declarations and the words "we", "us", and "our" mean the company providing this coverage.

Refer to the Definitions section at the end of this coverage form for additional words and phrases that have special meaning. These words and phrases are shown in quotation marks.

AGREEMENT

In return for "your" payment of the required premium, "we" provide the coverage described herein subject to all the "terms" of the Well Servicing, Drilling, And Workover Equipment Coverage. This coverage is also subject to the "schedule of coverages" and additional policy conditions relating to assignment or transfer of rights or duties, cancellation, changes or modifications, inspections, and examination of books and records.

Endorsements and schedules may also apply. They are identified on the "schedule of coverages".

PROPERTY COVERED

"We" cover the following property unless the property is excluded or subject to limitations.

1. **Coverage** -- "We" cover direct physical

loss or damage caused by a covered peril to:

- a. "your" property consisting of oil, gas, water well servicing, drilling and/or workover equipment; and
- b. similar property of others in "your" care, custody, and control, which "you" have a contractual obligation to insure.

"We" also cover machinery, tools, appurtenances, derricks, and substructures, when the value is included as part of covered equipment.

2. **Operating Limitation** -- "We" only cover "your" equipment and equipment of others while being operated by "you" or "your" employees.

However, "we" will cover equipment while being operated by the well owner or operator as required in the drilling contract.

3. **Covered Equipment** --

- a. **Scheduled Equipment** -- When Scheduled Equipment is indicated on the "schedule of coverages", "we" only cover "your" equipment and equipment of others that are described on the "equipment schedule".

- b. **Schedule On File** -- When Schedule On File is indicated on the "schedule of coverages", "we" only cover "your" equipment and equipment of others that are listed in a schedule which

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"you" must submit to "us" and "we" keep on file, and the schedule must contain a description of each item to be covered and a "limit" for each item.

4. **Coverage Condition --**

- a. **Use Of Blowout Preventer** -- As a condition of this insurance, "you" agree to install a "blowout preventer" of standard make on the surface casing. The "blowout preventer" will be installed and tested in accordance with standard practices and the manufacturer's recommendation.
- b. **When Coverage Condition Does Not Apply** -- This coverage condition does not apply:
 - 1) in areas where "blowout preventers" are not customarily used; or
 - 2) to cable tool rigs and spudders

PROPERTY NOT COVERED

1. **Blueprints** -- "We" do not cover blueprints, plans, records, or specifications.
2. **Casings And Drill Bits** -- "We" do not cover casings or drill bits.
3. **Contraband** -- "We" do not cover contraband. "We" do not cover property in the course of illegal transportation or trade.
4. **Drill Stem** -- "We" do not cover a drill stem left in the well and through which an

oil, gas, and/or water well is completed.

5. **Equipment On Drilling Barges Or Vessels** -- "We" do not cover equipment on drilling barges or drilling vessels.

6. **Foam And Fire Fighting Expense** -- "We" do not cover foam solution or other fire extinguishing materials that are lost, expended, or destroyed in fighting fire, "blowout" or "cratering".

"We" also do not cover any expense related to firefighting or controlling or attempting to control "blowout" or "cratering".

7. **Mud And Drilling Compound** -- "We" do not cover mud, drilling compound, chemicals, or cement.

8. **Ocean, Coastal, Or Air Shipments** -- "We" do not cover property during any ocean, coastal, or air shipment.

9. **Personal Effects** -- "We" do not cover personal effects of employees or others.

10. **Property Used To Drill Relief Well** -- "We" do not cover property used to drill a relief well to control fire, "blowout", or "cratering" unless "you" give "us" notice in writing in advance of such use and pay "us" additional premium.

11. **Roadways, Causeways, And Pits** -- "We" do not cover roadways, causeways, or earthen pits.

12. **Trailers And Vehicles** -- "We" do not cover trailers, automobiles, or any self-propelled vehicles that are designed for highway use unless forming a part of scheduled equipment.

13. **Underground Property** -- "We" do not cover property while located

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underground.

But "we" will pay for loss or damage to underground property caused directly by:

- a. fire, lightning or explosion above the surface of the ground;
- b. windstorm, tidal wave, or "flood";
- c. theft;
- d. riot, strikes, or malicious damage; or
- e. "blowout" or "cratering".

14. **Water, Oil, Or Gas** -- "We" do not cover water, oil, or gas.

15. **Waterborne Property** -- "We" do not cover property while waterborne.

16. **Wells** -- "We" do not cover wells whether or not they are being drilled.

OPTIONAL COVERAGES

1. Earthquake Coverage --

- a. **Coverage** -- If Earthquake Coverage is indicated on the "schedule of coverages", "we" cover direct physical loss or damage to covered property caused by or resulting from earthquake and volcanic eruption.
- b. **Earthquake Limit** -- The most "we" pay in any one occurrence for loss or damage caused by or resulting from earthquake and volcanic eruption is the Earthquake Limit indicated on the "schedule of coverages".

The Earthquake Limit is the only "limit" available for loss or damage caused by or resulting from earthquake and volcanic eruption. The Earthquake Limit cannot be combined or added to the "limit" for any Coverage Extension or Supplemental Coverage.

- c. **Separate Deductible** -- Only as regards Earthquake Coverage, "we" pay only that part of "your" loss over the Earthquake Deductible amount indicated on the "schedule of coverages" in any one occurrence.

2. Flood Coverage --

- a. **Coverage** -- If Flood Coverage is indicated on the "schedule of coverages", "we" cover direct physical loss or damage to covered property caused by or resulting from "flood".
- b. **Flood Limit** -- The most "we" pay in any one occurrence for loss or damage caused by or resulting from "flood" is the Flood Limit indicated on the "schedule of coverages".

The Flood Limit is the only "limit" available for loss or damage caused by or resulting from "flood". The Flood Limit cannot be combined or added to the "limit" for any Coverage Extension or Supplemental Coverage.

- c. **Separate Deductible** -- Only as regards Flood Coverage, "we" pay only that part of "your" loss over the Flood Deductible amount indicated on the "schedule of coverages" in any one occurrence.

COVERAGE EXTENSIONS

Provisions That Apply To Coverage

Extensions -- The following Coverage Extensions indicate an applicable "limit". This "limit" may also be shown on the "schedule of coverages".

If a different "limit" is indicated on the "schedule of coverages", that "limit" will apply instead of the "limit" shown below.

However, if no "limit" is indicated for a Coverage Extension within this coverage form, coverage is provided up to the full "limit" for the applicable covered property unless a different "limit" is indicated on the "schedule of coverages".

Unless otherwise indicated, the coverages provided below are part of and not in addition to the applicable "limit" for coverage described under Property Covered.

The "limit" provided under a Coverage Extension cannot be combined or added to the "limit" for any other Coverage Extension or Supplemental Coverage, including a Coverage Extension, Supplemental Coverage, or other coverage that is added to this policy by endorsement.

If coinsurance provisions are part of this policy, the following coverage extensions are not subject to and not considered in applying coinsurance conditions.

1. Debris Removal --

- a. **Coverage** -- "We" pay the cost of "debris removal".

- b. **We Do Not Cover** -- This coverage does not include costs to:

- 1) extract "pollutants" from land or water; or
- 2) remove, restore, or replace polluted land or water.

- c. **Limit** -- The most that "we" pay for any costs under this coverage extension is the least of the following:

- 1) \$100,000; or
- 2) 10% of the Catastrophe Limit indicated on the "schedule of coverages".

- d. **You Must Report Your Expenses** -- "We" do not pay any expenses unless they are reported to "us" in writing within 180 days from the date of direct physical loss to covered property.

2. In Hole Salvage Expense --

- a. **Coverage** -- "We" pay salvage expenses incurred as a result of loss or damage that "we" cover under this coverage form.

- b. **Our Part Of The Loss** -- "We" pay only the proportion of the salvage expenses that the value of the drill stem below the surface of the ground at the time of loss bears to:

- 1) the total cost of the hole at the time of loss; plus
- 2) the value of the drill stem.

- c. **The Most We Pay** -- The most "we" pay in any one loss, including salvage expenses, is the value of the drill stem below the surface of the ground at the time of loss.

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3. Use Of Gas, Air, Or Oil --

a. **Coverage** -- "We" cover direct physical loss or damage caused by "your" use of natural gas, air and/or oil as a circulating medium.

b. **Coverage Limitation** -- "We" only cover "your" use of natural gas, air and/or oil as a circulating medium if "you" follow the following conditions:

- 1) Crews must have specialized training in air, gas and/or controlled pressure drilling operations.
- 2) An approved "blowout preventer" rotating stripper system will be used. This system will include a minimum of a double gate ram type "blowout preventer" and rotating drilling head. The rig will be equipped with a kelly cock which will be worked each trip out of the hole.
- 3) The rotating "blowout preventer" will be lubricated and inspected in accordance with the manufacturer's recommendations.
- 4) The ram type "blowout preventers" will be opened and closed once daily or each trip out of the hole. The "blowout preventer stack" will be tested once weekly to 50% of rated working pressure.
- 5) The ram type "blowout preventers" will be equipped with adequate external controls from the time they are nipped until they are removed.
- 6) A vapor proof electric wiring system will be used and will be maintained in good operating condition.

- 7) Flow lines expelling air or gas will be an adequate distance from rig.
- 8) Engine exhausts will be equipped with an approved spark arrester or will be injected with water.
- 9) Rigs will be equipped with adequate fire control appliances including a minimum of six (6) handheld fire extinguishers with minimum U.L. Rating of 16 B.C.
- 10) No open fires of any type will be allowed.
- 11) The following signs will be conspicuously posted on all sides of a rig and will be observed by all parties on the well site:
 - a. No Smoking; and
 - b. Caution.

SUPPLEMENTAL COVERAGES

Provisions That Apply To Supplemental Coverages -- The following Supplemental Coverages indicate an applicable "limit". This "limit" may also be shown on the "schedule of coverages".

If a different "limit" is indicated on the "schedule of coverages", that "limit" will apply instead of the "limit" shown below.

However, if no "limit" is indicated for a Supplemental Coverage within this coverage form, coverage is provided up to the full "limit" for the applicable covered property unless a different "limit" is indicated on the "schedule of coverages".

Unless otherwise indicated, a "limit" for a Supplemental Coverage provided below is separate from, and not part of, the applicable "limit" for coverage described under Property Covered.

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coverages").

The "limit" available for coverage described under a Supplemental Coverage:

- a. is the only "limit" available for the described coverage; and
- b. is not the sum of the "limit" indicated for a Supplemental Coverage and the "limit" for coverage described under Property Covered.

The "limit" provided under a Supplemental Coverage cannot be combined or added to the "limit" for any other Supplemental Coverage or Coverage Extension, including a Supplemental Coverage, Coverage Extension, or other coverage that is added to this policy by endorsement.

If coinsurance provisions are part of this policy, the following Supplemental Coverages are not subject to and not considered in applying coinsurance conditions.

1. Additional Purchased Equipment --

- a. **Coverage** -- "We" cover direct physical loss or damage caused by a covered peril to additional equipment that "you" purchase during the policy period. Additional equipment means equipment as described under the Property Covered, Coverage section of this form.
- b. **Limit** -- The most that "we" pay for any loss under this supplemental coverage is the least of the following:
 - 1) actual cash value of the additional equipment; or
 - 2) \$100,000 (unless another "limit" is indicated on the "schedule of

- c. **Time Limitation** -- "We" extend coverage to the additional purchased equipment that "you" acquire for up to 30 days.

This supplemental coverage will end when any of the following first occur:

- 1) this policy expires;
- 2) 30 days after "you" purchase the additional equipment; or
- 3) "you" report the additional purchased equipment to "us".

- d. **Additional Premium** -- "You" must pay any additional premium due from the date "you" acquire the additional purchased equipment.

2. Employee Tools --

- a. **Coverage** -- "We" cover direct physical loss caused by a covered peril to tools owned by "your" employees.
- b. **Coverage Limitation** -- "We" only cover tools owned by "your" employees while at a:
 - 1) premises that "you" own or operate; or
 - 2) "jobsite".
- c. **Limit** -- The most "we" pay in any one occurrence for loss to employee tools is \$5,000.

3. Equipment Leased Or Rented From Others --

- a. **Coverage** -- "We" cover direct physical loss caused by a covered peril to "contractors' equipment" that "you" have leased or rented from others.

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- b. **Limit** -- The most "we" pay in any one occurrence for equipment leased or rented from others is \$25,000.

4. **Pollutant Cleanup And Removal** --

- a. **Coverage** -- "We" pay "your" expense to extract "pollutants" from land or water if the discharge, dispersal, seepage, migration, release, or escape of the "pollutants" is caused by a covered peril that occurs during the policy period.
- b. **Time Limitation** -- The expenses to extract "pollutants" are paid only if they are reported to "us" in writing within 180 days from the date the covered peril occurs.
- c. **We Do Not Cover** -- "We" do not pay the cost of testing, evaluating, observing, or recording the existence, level, or effects of "pollutants".

However, "we" pay the cost of testing which is necessary for the extraction of "pollutants" from land or water.

- d. **Limit** -- The most "we" pay for each location is \$10,000 for the sum of all such expenses arising out of a covered peril occurring during each separate 12-month period of this policy.

5. **Rental Reimbursement** --

- a. **Coverage** -- In the event of a direct physical loss by a covered peril to "your" "contractors' equipment", "we" reimburse "you" for "your" expense to rent similar equipment while "your" equipment is inoperable.

The deductible amount indicated on

the "schedule of coverages" does not apply to a loss covered under this supplemental coverage.

- b. **Waiting Period** -- "We" will not reimburse "you" for the rental of equipment until after the first 72-hours (unless otherwise indicated on the "schedule of coverages") following the direct physical loss to "your" "contractors' equipment" caused by a covered peril.
- c. **Incurred Rental Expenses** -- After the waiting period has passed, "we" will only reimburse "you" for the rental expenses that "you" actually incur.
- d. **Coverage After Expiration Date** -- "We" will continue to reimburse "you" for the rental of equipment after the expiration date of this coverage, provided the loss occurred before the expiration date.
- e. **Coverage Limitations** -- "We" will not reimburse "you":
 - 1) if "you" can continue or resume "your" operations with similar equipment that is available to "you" at no additional expense to "you"; or
 - 2) for the rental expense of any equipment unless "you" make every reasonable effort to repair, replace, or rebuild the inoperable equipment after the loss by a covered peril occurs.
- f. **Limit** -- The most "we" reimburse "you" in any one occurrence for rental expenses is \$5,000.

6. **Spare Parts And Fuel** --

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- a. **Coverage** -- "We" cover direct physical loss caused by a covered peril to:
- 1) spare parts and accessories for "contractors' equipment"; and
 - 2) fluids for vehicles and "contractors' equipment"; fluids include gasoline, oil, and hydraulic fluid.
- b. **Limit** -- The most "we" pay in any one occurrence for loss to spare parts and accessories is \$5,000.

PERILS COVERED

"We" cover risks of direct physical loss unless the loss is limited or caused by a peril that is excluded.

PERILS EXCLUDED

1. "We" do not pay for loss or damage caused directly or indirectly by one or more of the following excluded causes or events. Such loss or damage is excluded regardless of other causes or events that contribute to or aggravate the loss, whether such causes or events act to produce the loss before, at the same time as, or after the excluded causes or events.
- a. **Civil Authority** -- Order of any civil authority, including seizure, confiscation, destruction, or quarantine of property.
- "We" do cover loss resulting from acts of destruction by the civil authority to

prevent the spread of fire, unless the fire is caused by a peril excluded under this coverage.

- b. **Earth Movement** -- Any "earth movement", except as may be provided under Optional Coverages, Earthquake Coverage.

However, if eruption, explosion, or effusion of a volcano results in "volcanic action", "we" will pay for the loss or damage caused by that "volcanic action".

If "earth movement" results in fire, "we" will pay for the loss or damage caused by that fire. If "earth movement" (other than eruption, explosion, or effusion of a volcano) results in explosion, "we" will pay for the loss or damage caused by that explosion.

This exclusion does not apply to covered property while in transit.

- c. **Flood** -- "Flood", except as may be provided under Optional Coverages, Flood Coverage.

"We" also do not cover waterborne material carried or otherwise moved by "flood", whether or not driven by wind, including storm surge, or material carried or otherwise moved by mudslide or mudflow.

However, if "flood" results in fire, explosion, or sprinkler leakage, "we" will pay for the loss or damage caused by that fire, explosion, or sprinkler leakage.

This exclusion does not apply to covered property while in transit.

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- d. **Nuclear Hazard** -- Nuclear reaction, nuclear radiation, or radioactive contamination (whether controlled or uncontrolled; whether caused by natural, accidental, or artificial means). Loss caused by nuclear hazard is not considered loss caused by fire, explosion, or smoke. Direct loss by fire resulting from the nuclear hazard is covered.

e. **War And Military Action** --

- 1) War, including undeclared war or civil war; or
- 2) a warlike action by a military force, including action taken to prevent or defend against an actual or expected attack, by any government, sovereign, or other authority using military personnel or other agents; or
- 3) insurrection, rebellion, revolution, or unlawful seizure of power including action taken by governmental authority to prevent or defend against any of these.

With regard to any action that comes within the "terms" of this exclusion and involves nuclear reaction, nuclear radiation, or radioactive contamination, this War And Military Action exclusion will apply in place of the Nuclear Hazard exclusion.

2. "We" do not pay for loss or damage that is caused by or results from one or more of the following:

- a. **Animals** -- "We" do not pay for loss or damage caused by or resulting from animals including but not limited to, insects, vermin, or rodents.

But if loss or damage caused by or

resulting from animals results in a covered peril, "we" do cover the loss or damage caused by that covered peril.

- b. **Contamination Or Deterioration** -- "We" do not pay for loss or damage caused by contamination or deterioration including corrosion; decay; fungus; mildew; mold; rot; rust; or any quality, fault, or weakness in the covered property that causes it to damage or destroy itself.

But if contamination or deterioration results in a covered peril, "we" do cover the loss or damage caused by that covered peril.

- c. **Criminal, Fraudulent, Dishonest, Or Illegal Acts** -- "We" do not pay for loss or damage caused by or resulting from criminal, fraudulent, dishonest, or illegal acts committed alone or in collusion with another by:

- 1) "you";
- 2) others who have an interest in the property;
- 3) others to whom "you" entrust the property;
- 4) "your" partners, officers, directors, trustees, joint venturers, or "your" members or managers if "you" are a limited liability company; or
- 5) 5) the employees or agents of 1), 2), 3), or 4) above, whether or not they are at work.

This exclusion does not apply to acts of destruction by "your" employees, but "we" do not pay for theft by employees.

This exclusion does not apply to

covered property in the custody of a carrier for hire.

- d. **Electrical Currents** -- "We" do not pay for loss or damage caused by arcing or by electrical currents other than lightning.

But if arcing or electrical currents other than lightning result in a fire, "we" do cover the loss or damage caused by that fire.

- e. **Explosion, Rupture, Or Bursting** -- "We" do not pay for loss or damage caused by explosion, rupture, or bursting of steam boilers, steam or gas turbines, steam pipes, or steam engines. This exclusion applies only to loss or damage to the steam boilers, steam or gas turbines, steam pipes, or steam engines in which the loss occurred.

But if explosion, rupture, or bursting result in a fire, "we" do cover the loss or damage caused by that fire.

- f. **Faulty, Inadequate Or Defective Design, Materials, Or Workmanship** -
- "We" do not pay for loss or damage caused by faulty, inadequate or defective:

- 1) design;
- 2) materials; or
- 3) workmanship

of part or all of the property.

But if faulty, inadequate or defective design, materials, or workmanship result in a fire, "we" do cover the loss or damage caused by that fire.

- g. **Loss Of Use** -- "We" do not pay for loss or damage caused by or resulting

from loss of use, delay, loss of market, or consequential loss of any kind.

- h. **Mechanical Breakdown** -- "We" do not pay for loss or damage caused by any mechanical, structural, or electrical breakdown or malfunction including a breakdown or malfunction resulting from a structural, mechanical, or reconditioning process.

But if a mechanical, structural, or electrical breakdown or malfunction results in a covered peril, "we" do cover the loss or damage caused by that covered peril.

This exclusion does not apply to covered property in the custody of a carrier for hire.

- i. **Pollutants** -- "We" do not pay for loss or damage caused by or resulting from release, discharge, seepage, migration, dispersal, or escape of "pollutants":

- 1) unless the release, discharge, seepage, migration, dispersal, or escape is caused by a "specified peril"; or
- 2) except as specifically provided under the Supplemental Coverages
- Pollutant Cleanup And Removal.

"We" do cover any resulting loss caused by a "specified peril".

- j. **Temperature/Humidity** -- "We" do not pay for loss caused by dryness, dampness, humidity, or changes in or extremes of temperature.

But if dryness, dampness, humidity, or changes in or extremes of

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temperature results in a covered peril, "we" do cover the loss or damage caused by that covered peril.

k.

- k. **Unauthorized Instructions** -- "We" do not pay for loss or damage caused by or resulting from unauthorized instructions to transfer property to any person or place.

- l. **Using Gas, Air, Or Oil** -- Except as provided under Coverage Extensions - Use Of Gas, Air, Or Oil, "we" do not pay for loss caused by or resulting from the use of natural gas, air and/or oil as a circulating medium.

- m. **Voluntary Parting** -- "We" do not pay for loss or damage caused by or resulting from voluntary parting with title to or possession of any property because of any fraudulent scheme, trick, or false pretense.

- n. **Wear And Tear** -- "We" do not pay for loss or damage caused by wear and tear, marring, or scratching.

But if wear and tear results in a covered peril, "we" do cover the loss or damage caused by that covered peril.

WHAT MUST BE DONE IN CASE OF LOSS

1. **Notice** -- In case of a loss, "you" must:

- a. give "us" or "our" agent prompt notice including a description of the property involved ("we" may request written notice); and

- b. give notice to the police when the act that causes the loss is a crime.

2. **You Must Protect Property** -- "You" must take all reasonable steps to protect covered property at and after an insured loss to avoid further loss.

- a. **Payment Of Reasonable Costs** -- "We" do pay the reasonable costs incurred by "you" for necessary repairs or emergency measures performed solely to protect covered property from further damage by a peril insured against if a peril insured against has already caused a loss to covered property. "You" must keep an accurate record of such costs. "Our" payment of reasonable costs does not increase the "limit".

- b. **We Do Not Pay** -- "We" do not pay for such repairs or emergency measures performed on property which has not been damaged by a peril insured against.

3. **Proof Of Loss** -- "You" must send "us", within 60 days after "our" request, a signed, sworn proof of loss. This must include the following information:

- a. the time, place, and circumstances of the loss;
- b. other policies of insurance that may cover the loss;
- c. "your" interest and the interests of all others in the property involved, including all mortgages and liens;
- d. changes in title of the covered property during the policy period; and
- e. estimates, specifications, inventories, and other reasonable information that

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"we" may require to settle the loss.

4. **Examination** -- "You" must submit to examination under oath in matters connected with the loss as often as "we" reasonably request and give "us" sworn statements of the answers. If more than one person is examined, "we" have the right to examine and receive statements separately and not in the presence of others.
5. **Records** -- "You" must produce records, including tax returns and bank microfilms of all canceled checks relating to value, loss, and expense and permit copies and extracts to be made of them as often as "we" reasonably request.
6. **Damaged Property** -- "You" must exhibit the damaged and undamaged property as often as "we" reasonably request and allow "us" to inspect or take samples of the property.
7. **Volunteer Payments** -- "You" must not, except at "your" own expense, voluntarily make any payments, assume any obligations, pay or offer any rewards, or incur any other expenses except as respects protecting property from further damage.
8. **Abandonment** -- "You" may not abandon the property to "us" without "our" written consent.
9. **Cooperation** -- "You" must cooperate with "us" in performing all acts required by this policy.

VALUATION

1. **Actual Cash Value** -- The value of covered property will be based on the actual cash value at the time of the loss (with a deduction for depreciation) unless replacement cost is indicated on the "schedule of coverages".
2. **Replacement Cost** -- The value of covered property will be based on the replacement cost without any deduction for depreciation unless Actual Cash Value is indicated on the "schedule of coverages".
 - a. **Replacement Cost Limitation** -- The replacement cost is limited to the cost of repair or replacement with similar materials and used for the same purpose. The payment will not exceed the amount "you" spend to repair or replace the damaged or destroyed property.
 - b. **Replacement Cost Does Not Apply Until Repair Or Replacement** -- Replacement cost valuation does not apply until the damaged or destroyed property is repaired or replaced.
 - c. **Time Limitation** -- "You" may make a claim for actual cash value before repair or replacement takes place, and later for the replacement cost if "you" notify "us" of "your" intent within 180 days after the loss.
3. **Pair Or Set** -- The value of a lost or damaged article which is part of a pair or set is based on a reasonable proportion of the value of the entire pair or set. The loss is not considered a total loss of the pair or set.
4. **Loss To Parts** -- The value of a lost or damaged part of an item that consists of several parts when it is complete is based on the value of only the lost or damaged part or the cost to repair or replace it.

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HOW MUCH WE PAY

1. **Insurable Interest** -- "We" do not cover more than "your" insurable interest in any property.
2. **Flat Deductible** -- "We" pay only that part of "your" loss over the deductible amount indicated on the "schedule of coverages" in any one occurrence unless Percentage Deductible is indicated on the "schedule of coverages".
3. **Percentage Deductible** -- When a percentage deductible is indicated on the "schedule of coverages", "we" pay only that part of "your" loss over the deductible amount as determined below.
 - a. **Determining The Deductible Amount** -- The deductible amount is determined by applying the percentage indicated on the "schedule of coverages" to the value of the covered property that is involved in the loss. The value is determined by the provisions described under the Valuation section of this policy.
 - b. **Two Or More Items** -- If a loss involves two or more pieces of equipment, the percentage indicated on the "schedule of coverages" will apply only to the covered property with the highest value.
 - c. **Minimum and Maximum Deductible** -- The percentage deductible will not exceed the Maximum Deductible amount and will not be less than the Minimum Deductible amount indicated on the "schedule of coverages".

4. **Earthquake Period** -- All earthquakes or volcanic eruptions that occur within a 168-hour period will be considered a single loss. This 168-hour period is not limited by the policy expiration.
5. **Loss Settlement Terms** -- Subject to paragraphs 1., 2., 3., 5., 6., 7., and 8. under How Much We Pay, "we" pay the lesser of:
 - a. the amount determined under Valuation;
 - b. the cost to repair, replace, or rebuild the property with material of like kind and quality to the extent practicable; or
 - c. the "limit" that applies to the covered property.

However, the most "we" pay for loss in any one occurrence is the Catastrophe Limit indicated on the "schedule of coverages".

6. **Coinsurance** --
 - a. **When Coinsurance Applies** -- "We" only pay a part of the loss if the "limit" is less than the percentage of the value of the covered property that is indicated on the "schedule of coverages".
 - b. **How We Determine Our Part Of The Loss** -- "Our" part of the loss is determined using the following steps:
 - 1) multiply the percent indicated on the "schedule of coverages" by the value of the covered property at the time of loss;
 - 2) divide the "limit" for covered

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property by the result determined in b.1) above;

- 3) multiply the total amount of loss, after the application of any deductible, by the result determined in b.2) above.

The most "we" pay is the amount determined in b.3) above or the "limit", whichever is less. "We" do not pay any remaining part of the loss.

- c. **If There Is More Than One Limit** -- If there is more than one "limit" indicated on the "schedule of coverages" for this coverage part, this procedure applies separately to each "limit".
 - d. **If There Is Only One Limit** -- If there is only one "limit" indicated on the "schedule of coverages" for this coverage, this procedure applies to the total of all covered property to which the "limit" applies.
 - e. **When Coinsurance Does Not Apply** -- Conditions for coinsurance do not apply unless a coinsurance percentage is indicated on the "schedule of coverages".
7. **Catastrophe Limit** -- The most "we" pay in any one occurrence is the Catastrophe Limit indicated on the "schedule of coverages" regardless if an occurrence or loss involves:
 - a. one or more pieces of equipment; or
 - b. any combination of equipment or coverages described under Coverage Extensions or Supplemental Coverages.

8. Insurance Under More Than One

Coverage -- If more than one coverage of this policy insures the same loss, "we" pay no more than the actual claim, loss, or damage sustained.

9. Insurance Under More Than One Policy --

- a. **Proportional Share** -- "You" may have another policy subject to the same "terms" as this policy. If "you" do, "we" will pay "our" share of the covered loss. "Our" share is the proportion that the applicable "limit" under this policy bears to the "limit" of all policies covering on the same basis.
- b. **Excess Amount** -- If there is another policy covering the same loss, other than that described above, "we" pay only for the amount of covered loss in excess of the amount due from that other policy, whether "you" can collect on it or not. But "we" do not pay more than the applicable "limit".

LOSS PAYMENT

1. Loss Payment Options --

- a. **Our Options** -- In the event of loss covered by this coverage form, "we" have the following options:
 - 1) pay the value of the lost or damaged property;
 - 2) pay the cost of repairing or replacing the lost or damaged property;
 - 3) rebuild, repair, or replace the property with other property of equivalent kind and quality, to the extent practicable, within a

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- reasonable time; or
- 4) take all or any part of the property at the agreed or appraised value.
- b. **Notice Of Our Intent To Rebuild, Repair, Or Replace** -- "We" must give "you" notice of "our" intent to rebuild, repair, or replace within 30 days after receipt of a duly executed proof of loss.
2. **Your Losses** --
- a. **Adjustment And Payment Of Loss** -- "We" adjust all losses with "you". Payment will be made to "you" unless another loss payee is named in the policy.
- b. **Conditions For Payment Of Loss** -- An insured loss will be payable 30 days after:
- 1) a satisfactory proof of loss is received; and
 - 2) the amount of the loss has been established either by written agreement with "you" or the filing of an appraisal award with "us".
3. **Property Of Others** --
- a. **Adjustment And Payment Of Loss To Property Of Others** -- Losses to property of others may be adjusted with and paid to:
- 1) "you" on behalf of the owner; or
 - 2) the owner.
- b. **We Do Not Have To Pay You If We Pay The Owner** -- If "we" pay the owner, "we" do not have to pay "you". "We" may also choose to defend any suits brought by the owners at "our" expense.

REPORTING CONDITIONS

Equipment Leased Or Rented From Others --

If indicated on the "schedule of coverages", the following reporting conditions apply.

1. **Reports** --

- a. **You Will Report To Us** -- Within 30 days after the end of the policy period, "you" will report to "us" the total amount of "your" expenditures for "contractors' equipment" that "you" lease or rent from others.
- b. **Cancellation** -- If this policy is canceled, "you" will report the total amount of expenditures up to and including the date of cancellation.

2. **Premium Computation And Adjustment** --

- a. The premium will be adjusted at the end of the policy period. The total computed premium will be determined by multiplying "your" total equipment expenditures by the reporting rate indicated on the "schedule of coverages" for Equipment Leased or Rented From Others.
- b. "We" will compare the total computed premium to the deposit premium. If it is more than the deposit premium, "you" will pay "us" the difference. If it is less than the deposit premium, "we" will pay "you" the difference subject to the minimum premium indicated on the "schedule of coverages".

3. **Provisions That Affect How Much We Pay** -- The following provisions apply to

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reports that are submitted and may affect
How Much We Pay:

- a. **Failure To Submit Reports** -- If "you" have failed to submit the required reports or no report has been submitted, the most "we" will pay is 90% of the "limit".
- b. **Reported Values Are Less Than The Full Value** -- If "your" last report before a loss shows less than the actual value of "your" expenditures for "contractors' equipment" that "you" lease or rent from others, "we" will only pay a part of the loss. "We" will not pay a greater portion of the loss, prior to the application of the deductible, than the total expenditures "you" reported divided by "your" actual expenditures for "contractors' equipment" that "you" lease or rent from others during the reporting period.
- c. **We Will Not Pay More Than The Limit** -- "We" will not pay more than the applicable "limit" regardless of any reported value used in computing the premium.

OTHER CONDITIONS

1. **Appraisal** -- If "you" and "we" do not agree on the amount of the loss or the value of covered property, either party may demand that these amounts be determined by appraisal.

If either makes a written demand for appraisal, each will select a competent, independent appraiser and notify the other of the appraiser's identity within 20 days of receipt of the written demand.

The two appraisers will then select a competent, impartial umpire. If the two appraisers are unable to agree upon an umpire within 15 days, "you" or "we" can ask a judge of a court of record in the state where the property is located to select an umpire.

The appraisers will then determine and state separately the amount of each loss.

The appraisers will also determine the value of covered property items at the time of the loss, if requested.

If the appraisers submit a written report of any agreement to "us", the amount agreed upon will be the amount of the loss. If the appraisers fail to agree within a reasonable time, they will submit only their differences to the umpire. Written agreement so itemized and signed by any two of these three, sets the amount of the loss.

Each appraiser will be paid by the party selecting that appraiser. Other expenses of the appraisal and the compensation of the umpire will be paid equally by "you" and "us".

2. **Benefit To Others** -- Insurance under this coverage will not directly or indirectly benefit anyone having custody of "your" property.
3. **Conformity With Statute** -- When a condition of this coverage is in conflict with an applicable law, that condition is amended to conform to that law.
4. **Estates** -- This provision applies only if the insured is an individual.
 - a. **Your Death** -- On "your" death, "we"

cover the following as an insured:

- 1) the person who has custody of "your" property until a legal representative is qualified and appointed; or
- 2) "your" legal representative.

This person or organization is an insured only with respect to property covered by this coverage.

- b. **Policy Period Is Not Extended** -- This coverage does not extend past the policy period indicated on the declarations.

5. **Misrepresentation, Concealment, Or Fraud** -- This coverage is void as to "you" and any other insured if, before or after a loss:

- a. "you" or any other insured have willfully concealed or misrepresented:
 - 1) a material fact or circumstance that relates to this insurance or the subject thereof; or
 - 2) "your" interest herein; or
- b. there has been fraud or false swearing by "you" or any other insured with regard to a matter that relates to this insurance or the subject thereof.

6. **Policy Period** -- "We" pay for a covered loss that occurs during the policy period.

7. **Recoveries** -- If "we" pay "you" for the loss and lost or damaged property is recovered, or payment is made by those responsible for the loss, the following provisions apply:

- a. "you" must notify "us" promptly if "you" recover property or receive payment;

- b. "we" must notify "you" promptly if "we" recover property or receive payment;
- c. any recovery expenses incurred by either are reimbursed first;
- d. "you" may keep the recovered property but "you" must refund to "us" the amount of the claim paid, or any lesser amount to which "we" agree; and
- e. if the claim paid is less than the agreed loss due to a deductible or other limiting "terms" of this policy, any recovery will be prorated between "you" and "us" based on "our" respective interest in the loss.

8. **Restoration Of Limits** -- A loss "we" pay under this coverage does not reduce the applicable "limits".

9. **Subrogation** -- If "we" pay for a loss, "we" may require "you" to assign to "us" "your" right of recovery against others. "You" must do all that is necessary to secure "our" rights. "We" do not pay for a loss if "you" impair this right to recover.

10. "You" may waive "your" right to recover from others in writing before a loss occurs.

11. **Suit Against Us** -- No one may bring a legal action against "us" under this coverage unless:

- a. all of the "terms" of this coverage have been complied with; and
- b. the suit has been brought within two years after "you" first have knowledge

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of the loss.

If any applicable law makes this limitation invalid, then suit must begin within the shortest period permitted by law.

12. **Territorial Limits** -- "We" cover property while it is in the United States of America, its territories and possessions, Canada, and Puerto Rico.

DEFINITIONS

1. "Blowout" means the sudden, accidental, uncontrolled, and continuous expulsion from a well of oil, gas, water, or drilling fluids resulting in complete loss or control of the oil or gas well.
2. "Blowout preventer" means one or more valves installed at the wellhead to prevent the escape of pressure either in the annular space between the casing and the drill pipe or in open hole (e.g., hole with no drill pipe) during drilling or completion operations.
3. "Blowout preventer stack" means the assembly of well control equipment including preventers, spools, valves, and nipples connected to the top of the wellhead.
4. "Contractors' equipment" means machinery equipment and tools of a mobile nature that "you" use in "your" oil, gas or water well servicing and/or drilling.

"Contractors' equipment" also means;

- a) Self-propelled vehicles designed and used primarily to carry mounted

equipment; or

- b) Vehicles designed for highway use that are unlicensed and not operated on public roads.
5. "Cratering" means the basin shaped opening in the earth's surface surrounding a well caused by the erosive and eruptive action of gas, oil, or water flowing uncontrolled.
 6. "Debris removal" means the costs for the demolition, clearing, and removal of debris of covered property if such debris results from a covered peril.
 6. "Earth movement" means any movement or vibration of the earth's surface (other than "sinkhole collapse") including but not limited to earthquake; landslide; mudflow; mudslide; mine subsidence; or sinking, rising, or shifting of earth.
 7. "Equipment schedule" means a schedule of covered equipment that is attached to this policy and that describes each piece of covered equipment.
 8. "Flood" means an overflowing or inundation by water of an area that was previously and normally dry or not covered by water, whether caused artificially or naturally, by human or animal forces or by an act of nature. "Flood" includes, but is not limited to:
 - a. overflow of inland or tidal waters, waves, tidal waves, or tsunamis, or spray that results from any of these, all whether driven by wind or not, including but not limited to storm surge;
 - b. unusual and rapid accumulation or runoff of surface waters from any

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- source; or
- c. mudslides or mudflows if caused by:
- 1) unusual and rapid accumulation or runoff of surface waters or waves; or
 - 2) currents of water exceeding anticipated cyclical levels.
9. "Jobsite" means any location, project, or worksite where "you" are in the process of oil, gas or water well servicing and/or drilling.
10. "Limit" means the amount of coverage that applies.
11. "Pollutant" means:
- a. any solid, liquid, gaseous, thermal, or radioactive irritant or contaminant, including acids, alkalis, chemicals, fumes, smoke, soot, vapor, and waste. Waste includes materials to be recycled, reclaimed, or reconditioned, as well as disposed of; and
 - b. electrical or magnetic emissions, whether visible or invisible, and sound emissions.
12. "Schedule of coverages" means:
- a. all pages labeled "schedule of coverages" or schedules that pertain to this coverage; and
 - b. declarations or supplemental declarations that pertain to this coverage.
13. "Sinkhole collapse" means the sudden settlement or collapse of earth supporting the covered property into subterranean voids created by the action of water on a limestone or similar rock formation. It does not include the value of the land or the cost of filling sinkholes.
14. "Specified perils" means aircraft; civil commotion; explosion; falling objects; fire; hail; leakage from fire extinguishing equipment; lightning; riot; "sinkhole collapse"; smoke; sonic boom; vandalism; vehicles; "volcanic action"; water damage; weight of ice, snow, or sleet; and windstorm.
- Falling objects does not include loss to:
- a. personal property in the open; or
 - b. the interior of buildings or structures or to personal property inside buildings or structures unless the exterior of the roofs or walls are first damaged by a falling object.
- Water damage means the sudden or accidental discharge or leakage of water or steam as a direct result of breaking or cracking of a part of the system or appliance containing the water or steam.
15. "Terms" means all provisions, limitations, exclusions, conditions, and definitions that apply.
16. "Volcanic action" means airborne volcanic blast or airborne shock waves; ash, dust, or particulate matter; or lava flow.
- "Volcanic action" does not include the cost to remove ash, dust, or particulate matter that does not cause direct physical loss to the covered property.

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ENDORSEMENT

Named Insured: <<Named Insured>>

Policy Number: <<Policy Number>>

Endorsement

Effective Date: <<endt eff date>>

Endorsement

Number: <<endt number>>

12:01 AM Standard Time at the address of the **Named Insured** as shown in the Declarations.

TERRITORIAL LIMITATION ENDORSEMENT

This endorsement changes the Oil and Gas Equipment Coverage Form.

The Property Not Covered section is modified to add the following:

PROPERTY NOT COVERED

Territorial Limitations -- "We" do not cover "your" equipment and equipment of others that is located:

1. off shore or beyond shoreline including property on artificial or natural islands; or
2. in a county adjacent to the Gulf of Mexico or the Atlantic Ocean.

<<electronic signature>>

Authorized Representative

This endorsement does not change any other provision of the Policy. The title and any headings in this endorsement are solely for convenience and do not affect its meaning.

ENDORSEMENT

Named Insured: <<Named Insured>>

Policy Number: <<Policy Number>>

Endorsement

Effective Date: <<end eff date>>

Endorsement

Number: <<end number>>

12:01 AM Standard Time at the address of the **Named Insured** as shown in the Declarations.

WELL SERVICING, DRILLING AND WORKOVER EQUIPMENT EQUIPMENT LEASED OR RENTED TO OTHERS SCHEDULE AND ENDORSEMENT

(The entries required to complete this endorsement will be shown below or on the "schedule of coverages".)

"Limit"

Equipment Limit -- The most "we" pay for any one piece of equipment that is leased or rented to others is:

\$ _____

Catastrophe Limit -- The most "we" pay in any one occurrence for loss to equipment leased or rented to others is:

\$ _____

DEDUCTIBLE

Deductible Amount

\$ _____

REPORTING CONDITIONS

Rate

\$ _____

Deposit Premium

\$ _____

Minimum Premium

\$ _____

Additional Premium Due After Expiration -- When the premium for the coverage provided by this policy is based upon reports of value any additional premium owed to "us" is due on the due date that appears on the billing notice.

[] Reporting Conditions Do Not Apply

ENDORSEMENT

SUPPLEMENTAL COVERAGES

Equipment Leased Or Rented To Others --

"We" pay for direct physical loss caused by a covered peril to "your" oil, gas, water well servicing, drilling and/or workover equipment while "you" rent or lease it to others.

HOW MUCH WE PAY

Deductible -- "We" pay only that part of "your" loss over the deductible amount indicated on the schedule in any one occurrence.

REPORTING CONDITIONS

Equipment Leased Or Rented To Others --

1. Reports --

- a. **You Will Report To Us** -- Within 30 days after the end of the policy period, "you" will report to "us" the total amount of receipts (collected or uncollected) that "you" have earned from the leasing or renting of "your" equipment.
- b. **Cancellation** -- If this policy is canceled, "you" will report the total amount of expenditures up to and including the date of cancellation.

2. Premium Computation And Adjustment --

- a. The premium will be adjusted at the end of the policy period. The total computed premium will be determined by multiplying "your" total earned receipts by the rate indicated on the Equipment Leased Or Rented To Others Schedule.

- b. "We" will compare the total computed premium to the deposit premium. If it is more than the deposit premium, "you" will pay "us" the difference. If it is less than the deposit premium, "we" will pay "you" the difference subject to the minimum premium indicated on the Equipment Leased Or Rented To Others Schedule.

3. Provisions That Affect How Much We Pay --

The following provisions apply to reports that are submitted and may affect How Much We Pay:

- a. **Failure To Submit Reports** -- If "you" have failed to submit the required reports or no report has been submitted, the most "we" will pay is 90% of the "limit".
- b. **Reported Values Are Less Than The Full Value** -- If "your" last report before loss or damage shows less than the actual value of "your" receipts that "you" have earned from the leasing or renting of "your" equipment, "we" will only pay a part of the loss. "We" will not pay a greater portion of the loss, prior to the application of the deductible, than the total receipts "you" reported divided by "your" actual receipts that "you" have earned from the leasing or renting of "your" equipment during the reporting period.
- c. **We Will Not Pay More Than The Limit** -
- "We" will not pay more than the applicable "limit" regardless of any reported value used in computing the premium.

ENDORSEMENT

Named Insured: <<Named Insured>>

Policy Number: <<Policy Number>>

Endorsement

Effective Date: <<endt eff date>>

12:01 AM Standard Time at the address of the **Named Insured** as shown in the Declarations.

Endorsement

Number: <<endt number>>

STACKED RIG ENDORSEMENT

This endorsement changes the Well Servicing, Drilling And Workover Equipment Coverage Form.

(The entries required to complete this endorsement will be shown below or on the "schedule of coverages".)

STACKED RIG SCHEDULE

Item No.	Description of Rig	"Limit"
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____

Stacked Rig Rate: _____

Stacked Rig Premium: \$ _____

Operating Rig Rate: _____

Deductible Amount \$ _____

Notification Of Removal From Stacked Status (check one)

☐ 10 Days ☐ Other (specify) _____ Days

ENDORSEMENT

COVERAGE

1. **Coverage** -- In consideration of the Stacked Rig Rate and Premium indicated on the Stacked Rig Schedule, "we" cover direct physical loss or damage caused by a covered peril to the rigs described on the Stacked Rig Schedule while the rigs are stacked and not in use.
2. **Coverage Limitation** -- "We" only cover described rigs if they have been stacked and not in use for a minimum of 30 consecutive days.
3. **You Must Notify Us** -- If any of the rigs described on the Stacked Rig Schedule are placed back into operation, "you" must notify "us" in writing within ten days (unless otherwise noted on the Stacked Rig Schedule) from the date the rigs are removed from stacked status. "You" agree to pay any additional premium (pro rata) due based on the Operating Rig Rate as indicated on the Stacked Rig Schedule.
4. **We Do Not Cover** -- "We" do not cover a rig described on the Stacked Rig Schedule if the rig has become operational (including transit) and you have not notified "us" in writing within 10 days from the date the rig has been removed from stacked status.
5. **Deductible** -- Under this endorsement "we" pay only that part of "your" loss over the deductible amount indicated on the Stacked Rig Schedule in any one occurrence.

<<electronic signature>>

Authorized Representative

This endorsement does not change any other provision of the Policy. The title and any headings in this endorsement are solely for convenience and do not affect its meaning.

ENDORSEMENT

Named Insured: <<Named Insured>>

Policy Number: <<Policy Number>>

Endorsement

Effective Date: <<end eff date>>

Endorsement

Number: <<end number>>

12:01 AM Standard Time at the address of the **Named Insured** as shown in the Declarations.

WATERBORNE EQUIPMENT ENDORSEMENT

This endorsement changes the Well Servicing, Drilling And Workover Equipment Coverage Form.

SCHEDULE

"Limit"

Waterborne Equipment -- The most "we" pay in any one occurrence for loss to covered property while waterborne is:

\$ _____

Waterborne Equipment Deductible -- "We" pay only that part of "your" loss over the deductible amount in any one occurrence:

\$ _____

COVERAGE EXTENSIONS

Waterborne Property -- "We" cover direct physical loss caused by a covered peril to covered property while waterborne.

PROPERTY NOT COVERED

The exclusion for Waterborne Property still applies except to the extent that coverage is provided under this endorsement.

<<electronic signature>>

Authorized Representative

This endorsement does not change any other provision of the Policy. The title and any headings in this endorsement are solely for convenience and do not affect its meaning.

SERFF Tracking #:	REGU-131482567	State Tracking #:		Company Tracking #:	EAIC-IMG-OG-2018
<hr/>					
State:	District of Columbia	Filing Company:	Endurance American Insurance Company		
TOI/Sub-TOI:	09.0 Inland Marine/09.0005 Other Commercial Inland Marine				
Product Name:	Inland Marine Oil & Gas Program				
Project Name/Number:	Inland Marine Oil & Gas Program/EAIC-IMG-OG-2018				

Rate Information

Rate data does NOT apply to filing.

State:	District of Columbia	Filing Company:	Endurance American Insurance Company
TOI/Sub-TOI:	09.0 Inland Marine/09.0005 Other Commercial Inland Marine		
Product Name:	Inland Marine Oil & Gas Program		
Project Name/Number:	Inland Marine Oil & Gas Program/EAIC-IMG-OG-2018		

Supporting Document Schedules

Bypassed - Item:	Readability Certificate
Bypass Reason:	N/A
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	Copy of Trust Agreement
Bypass Reason:	N/A
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	Expedited SERFF Filing Transmittal Form
Bypass Reason:	N/A
Attachment(s):	
Item Status:	
Status Date:	

Satisfied - Item:	Consulting Authorization
Comments:	
Attachment(s):	Filing Authorization Letter - EAIC.pdf
Item Status:	
Status Date:	

Satisfied - Item:	Filing Memorandum
Comments:	
Attachment(s):	2018 IM Oil & Gas Filing Memorandum (Forms Only) EAIC.pdf
Item Status:	
Status Date:	

LETTER OF FILING AUTHORIZATION

This will certify that Insurance Regulatory Consultants, LLC (IRC) has been given full authorization to submit the captioned filing below on behalf of **Endurance American Insurance Company**.

This authorization extends to all correspondence regarding this filing.

Richard M. Appel

Name

April 1, 2018

Date

Senior Vice President & Senior Counsel

Title

Endurance American Insurance Company

Company



Signature

212-209-6508

Telephone Number

Re: Endurance American Insurance Company

NAIC #: 3219-10641; FEIN #: 03-0350908

Inland Marine Oil & Gas Program

Company Filing ID Number: EAC-IMG-OG-2018

Richard M. Appel
Senior Vice President & Senior Counsel
750 Third Avenue, 2nd Floor
New York, NY 10017
Direct Dial: 212-209-6508
Facsimile: 914-290-6725

**ENDURANCE AMERICAN INSURANCE COMPANY
(A MEMBER OF THE SOMPO INTERNATIONAL COMPANIES)
INLAND MARINE OIL & GAS PROGRAM
2018 FILING MEMORANDUM**

Endurance American Insurance Company's new Inland Marine Oil & Gas Program is designed to provide contractor's equipment coverage for physical loss or damage to scheduled equipment in the care, custody or control of the insured that is utilized in the servicing of existing wells, drilling of new wells, and service operations of completed wells.

EOG 0201 Oil & Gas Equipment Coverage Form provides coverage for lease property, meaning land from which the insured has the legal right to remove oil or gas.

EOG 0202 Well Servicing, Drilling, and Workover Equipment Coverage Form provides coverage for servicing, drilling, and workover equipment, as well as fracking exposure.

This Program will be using our independently developed forms, copies of which are attached for your review and approval, which have been tailored to meet the particular needs of insureds within the Oil & Gas industry. In addition, we will be using AAIS's approved endorsements, as allowed by our affiliation with AAIS, and our previously filed and approved proprietary IMG endorsements.